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SOUTH CAROLINA
STATE BOARD OF FINANCIAL INSTITUTIONS

MINUTES

Wednesday, April 7, 2021

10:00 AM

via WebEx Virtual Conference Room

Upon proper call and due notice to all its members and after having given required public notice, the State Board of Financial Institutions met on the 7th day of April 2021 with Chairman Loftis presiding.

Members present: Messrs. Conley, Strickland, Walters, Wright, Wicker, Ham, Windley, and Stuart.

Staff present:

Consumer Finance Division: Commissioner Ron Bodvake, Deputy Commissioner Phyllis Wicker, Deputy Commissioner Quinton Creed, and Deputy Commissioner Amy Gelhaus.

Banking Division: Commissioner Rick Green and Deputy Commissioner Kathy Bickham.

State Treasurer's Office: Chief of Staff Clarissa Adams, Deputy State Treasurer Cynthia Dannels, Deputy General Counsel Bill Condon, Deputy General Counsel Shawn Eubanks, Director of Communications Karen Owens, HR Manager Lisa O'Sullivan, Financial Analyst Cameron Larkin and Board Administrator Alicia Sharpe.

Guest(s): Kim Aydlette, Human Resources Consultant

The Agenda for this meeting was approved by General Consent.

The March 3, 2021 Board Meeting Minutes were approved by General Consent.

Board Member Recusal or Conflicts of Interest

Mr. Stuart and Mr. Strickland submitted written statements recusing themselves from all matters regarding First Reliance Bank because they are associated with this business and have an economic interest in the decision to be made by this Board. The Chairman asked if any other member had a conflict with an item on the agenda. No other member identified a conflict of interest.

The Legislative and Regulatory Committee update was provided by Committee Chairman Barry Ham. He informed the Board that the Committee received 2021 Legislation tracking updates from the Commissioners. Commissioner Bodvake and Deputy Commissioner Gelhaus reported on six of the many bills they are following. They are collaborating with staff from the SC Department of Consumer Affairs on several of these bills. Commissioner Green reported on five of the many bills being followed by his office. Senate Bill 467 also known as the Banking and Credit Union Modernization Act has passed the Senate and has been referred to The House. Newly introduced Senate Bill 612, Senator Tom Davis referencing the credit union ability to purchase or merge with commercial banks was discussed. Mr. Green stated that his office was not consulted during the drafting of the bill but only after it was filed. Finally, he [Commissioner Green] reported on House Bill 3760 introduced by Representative Bill Sandifer to permit virtual participation in annual shareholder meetings. The next meeting is scheduled for May 27th.

The Budget and Operations Committee update was provided by Member Scott Conley in Chairman Pennington's absence. He informed the Board that the Committee received updates from the Commissioners on an IT manager report and information security assessment. Also, Commissioner Green reviewed board insurance and provided an update on the proposed Fee Schedule.

The Committee recommended the approval of the fee schedule as set forth in the attachment to the agenda.

On motion of Mr. Conley, the Board voted to approve the fee schedule as set forth in the attachment to the agenda. This being a motion from a Committee, it did not require a second.

The Policy and Planning Committee update was provided by Committee Chairman Justin Strickland. The committee met on March 24th. He informed the Board that the Committee received updates from the Commissioner Bodvake on training, investigations, the database project, and the electronic examination project. The Committee also received updates from Commissioner Green on CSBS leadership opportunities, banking and credit union business development, and presented a document for delegation of certain authorities to The Commissioner. The Committee received an update from both Commissioners on key man risk and succession planning.

The Policy and Planning Committee recommended the approval to delegate certain powers to the Commissioner of Banking, as set forth in the delegation documents attached to the agenda, and that the Board's governance manual be modified accordingly.

On motion of Mr. Strickland, the Board voted to approve the delegation of certain powers to the Commissioner of Banking, as set forth in the delegation documents attached to the agenda, and that the Board's governance manual be modified accordingly. This being a motion from a Committee, it did not require a second.

Scott Conley made a suggestion that for future meeting, the Committee Chairs be provided the minutes from Committee Meetings in which votes will be involved.

Commissioner Ron Bodvake provided the Board with an update on several division items.

The Consumer Finance Division hired two new Mortgage Examiners who started April 2nd. The division is now fully staffed on the mortgage examination side. They are still conducting interviews for a Licensing Specialist.

Commissioner Bodvake thanked the Board for supporting him during his 5 years of service as Commissioner.

The Commissioner discussed the MLO Report published by CSBS. MLO had 85,000 Mortgage Loan Originator's enrolled in testing in 2020, up from 44,000 in 2019. Active state MLO licenses were up 21% and MLO applications increased 74% from 2019. The average MLO now holds 3.75 licenses. The renewals for this year are at an all-time high with 87.8% of all MLO's renewed. In SC, YOY increase in home purchasing by 36% and refinancing was up 200%. Over 14,000 total MLO's.

The Commissioner discussed a Baseline Non-bank Cybersecurity Examination Program through CSBS. This involves audit training for IT examiners. Trying to strengthen the IT portion of examinations.

The Commissioner gave an update on COVID Return to Work Plan. Followed with Department of Administration. As of 3/15, 82% Consumer Finance staff were back in office. As of 3/20, 89% Consumer Finance staff were back in office. There are some staff members with outside conditions keeping them working from home.

The Commissioner discussed the IT Business Continuity Plan. IT manager is reviewing the updated plan and now and should be complete next week. Completion date for classifying all network drives is scheduled for April 15th.

The Commissioner discussed Investigations. There is still unlicensed activity going on in the state, primarily with check cashers. Looking to get field examiners involved. Coordinate with Review Examiner to send examiners out where unlicensed activity is suspected. As a result, the investigation has found 2 unlicensed companies so far cashing checks in North Charleston. The investigation of expired or unrenewed licenses has concluded. The commissioner also discussed data gathering. His team wants to gather data from multiple sources including the Department of Revenue and the Attorney General. The team is compiling a list by region starting with the Midlands region. Four of twelve counties are done (Aiken, Barnwell, Lexington, and Richland).

The Commissioner discussed the monthly report. Mortgage Loan Originators are still at very high volumes. The last three months saw 615, 611, and 685 new applications. This is an all-time high for Mortgage Loan Applications.

The Commissioner discussed The Status of Equal Opportunity in South Carolina State Government Report. This report is for both divisions. The Board has requested the presentation of this report to The Board. BOFI is ranked 7th among all state agencies. Commissioner Green added that they are very pleased with the ranking.

Commissioner of Banking, Rick Green provided the Board with an update on several division items.

Commissioner Green gave an update on a leadership opportunity with CSBS that was reported to the Policy and Planning Committee. The Commissioner has served on the State Supervisory Processes Committee and most recently served as Vice Chairman. He has been invited to take over the Chair position of the committee. This is pending the customary approvals in next months CSBS meeting. This new position comes with other opportunities to serve and to lead. The Chairman of the State Supervisory Processes Committee also has a seat on the Board of Directors for CSBS. This is an opportunity to lead South Carolina in nationwide policy-making. This position also comes with a seat on an inter-agency group of federal agencies. Commissioner Green would be representing SC and other states as they work on collaborating on setting supervisory policy. Banking Staff is on five different committees with CSBS. One Chief Examiner is currently in the running to take over the Chair position of the State Examiner Review Teams.

The Banking Division participated in two annual meetings with NASCUS and CSBS. These are the NASCUS National Meeting and the CSBS Meeting. Because these were virtual, staff were able to participate in both meetings. Commissioner Green introduced Representative Clyburn to the group and facilitated a Q&A session with Representative Clyburn.

STO Deputy General Counsel, Shawn Eubanks, and The Commissioner of Banking had a virtual meeting with FBI Special Agent in Charge of Criminal Investigations, Reed Davis. This was a good

opportunity to create a line of communication with the FBI. The FBI has jurisdiction over bank and credit union crimes because these institutions are federally insured.

The Commissioner discussed Education and Training. Education and training are important to Banking staff. The Commissioner typically reports on the major schools that the examiners attend such as the core banking schools or FFIEC Schools. Employees are expected to report on a quarterly basis the amount of training completed. The Commissioner expects the amount to be high because of the pandemic allowing for more virtual training opportunities. The Commissioner emphasized that the Banking Division puts a lot of value in continuous learning, not just for the team but for The Commissioner himself. The Board asked that the Commissioner identify opportunities to seek leadership training for his own personal development. Because of the pandemic, it has been difficult to find in-person schools. Over the past year, The Commissioner has consumed 10 hours of virtual training courses as well as attended one in-person training seminar. Those instructors ranged from university professors to corporate chief executives, and best-selling authors. Continuous education is important because the Banking industry is complex and constantly evolving.

The Commissioner discussed the Pandemic Operational Posture. Last month, The Banking Division was transitioning into phase 2B of the 3-step plan. The Governor's order required a plan be submitted on short notice to bring everyone back into the office. The plan was approved. All staff that were working in an office environment were brought back on March 15th. The remainder of employees (those that work in cubicles) were brought back on March 22nd. There is one employee who has extenuating circumstances who is continuing to work from home. Employees were unfortunately not able to receive much notice, but the expectations were met, and challenges accomplished. One on-site portion of an examination occurred for an institution that required the team to view documents. Now that the pandemic is tapering off, the BCP review team is looking back at the effectiveness of the current plan and how it could be made better.

Howard Wright asked Commissioner Green to report on the health of staff being brought back in. The Commissioner reported that no staff member had reported any workplace exposure since the return to the workplace. Commissioner Bodvake assisted with providing adequate space for Banking Staff to socially distance. Commissioner Green reported that employees were shocked to not have more notice before returning to the workplace. Commissioner Green and his team have worked to make the environment safe to work in.

Commissioner Green reported that an Associate Examiner, Lindsay Clamp resigned effective March 12th. Ms. Clamp had been with BOFI for just under two year. She went to work for FDIC. This has led to the decision to start recruiting for entry-level and mid-level examiners. Tyler Horn has been promoted to Examiner II effective March 15th. Tyler has been with BOFI for 3 years and has developed very well. He is ready to begin taking on additional responsibilities. He will likely serve as Examiner in Charge for some of the less-complex institutions.

Wayne Wicker asked if there is still a wide gap between BOFI and FDIC salary-wise. Commissioner Green confirmed this. A normal examiner in the FDIC will be making \$100,000 after five years. The FDIC is a larger organization with more opportunities to move around the organization and have significantly more resources than BOFI. Ms. Clamp is moving to the Columbia field office and will still be working closely with BOFI examiners.

Executive Session

The Board voted unanimously to adjourn into Executive Session.

Deputy General Counsel Bill Condon stated the reasons the Board entered Executive Session: to discuss findings of reviews regarding employment, compensation, promotion, and retention related to specific agency employees, as well as the entire agency, to review a request to relocate a bank branch, to review requests to purchase property, to receive a briefing on unlicensed consumer finance activity, and to receive legal advice as needed.

The Board voted unanimously to end Executive Session.

Actions following Executive Session

Voting on Items Discussed in Executive Session

On motion of Mr. Dan Walters and duly seconded by Mr. Chuck Stuart, the Board voted to grant the Commissioner of Consumer Finance the authority to negotiate and enter into a settlement agreement with each of the two persons who appear to have been engaged in unlicensed check-cashing activity as discussed in executive session.

Additional votes to approve relocating a bank branch and purchasing of property were not needed because earlier in this meeting the Board delegated the authority to approve these activities to the Commissioner of Banking.

Announcements

The next board meeting is scheduled for Wednesday, May 5, 2021.

There being no objection, the meeting adjourned at 11:50 AM.